FINANCIAL REPORT

2018-2019

Olympic College
2019 Financial Report

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For information about enrollment, degrees awarded or academic programs, please visit our website at https://www.olympic.edu/

Board of Trustees and Administrators

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

February 7, 2020

Board of Trustees
Olympic College
Bremerton, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Olympic College, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Olympic College Foundation (Foundation) and John Bremer and Edward Bremer Consolidated Trust (Trust), which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it related to the amounts included for the Foundation and the Trust, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation and the Trust were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Olympic College, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

The financial statements of Olympic College, an agency of the state of Washington, are intended to present the financial position, and changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the College and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information for the Foundation and the Trust. Such information does not include all the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's and the Trust's financial statements for the years ended June 30, 2018 and December 31, 2017, respectively, from which the summarized information was derived. Other auditors have previously audited the Foundation's 2018 and the Trust's 2017 basic financial statements, and they expressed unmodified opinions in their reports dated January 23, 2020 and November 15, 2018, respectively.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The Trustees and Administrators are presented for purposes of additional analysis and are not a required part of the basic financial statements of the College. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated February 7, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Management's Discussion and Analysis

Olympic College

The following discussion and analysis provides an overview of the financial position and activities of Olympic College (the College) for the fiscal year ended June 30, 2019 (FY 2019). This overview provides readers with an objective and easily readable analysis of the College's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the College's financial statements and accompanying note disclosures.

Reporting Entity

Olympic College is one of thirty public community and technical college districts in the state of Washington, providing comprehensive, open-door academic programs, workforce education, basic skills and community service educational programs to approximately 11,617 students. The College confers bachelor's degrees, associate's degrees, certificates and high school diplomas. The College was established in 1946 and its primary purpose is to enrich our diverse communities through quality education and support so students achieve their educational goals.

The College's main campus is located in Bremerton, Washington, a community of about 41,041 residents. The College also has operations in Poulsbo and Shelton. The College is governed by a five member Board of Trustees appointed by the governor of the state with the consent of the state Senate. By statute, the Board of Trustees has full control of the College, except as otherwise provided by law.

Using the Financial Statements

The financial statements presented in this report encompass the College and its discretely presented component units, the Olympic College Foundation and the John Bremer and Edward Bremer Consolidated Trust. The College's financial statements include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the College as of June 30, 2019. The Statement of Revenue, Expenses and Changes in Net Position and the Statement of Cash flows provide information about operations and activities over the entire fiscal year; July 1, 2018 through June 30, 2019. Together, these statements, along with the accompanying notes, provide a comprehensive way to assess the college's financial health.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position are reported under the accrual basis of accounting where all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual statements are intended to provide a view of the College's financial position similar to that presented by most private-sector companies.

These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The full scope of the College's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Management's Discussion and Analysis

Financial Highlights
The College's financial position as of June 30, 2019, reflects an overall increase over the previous year. In the current year:

- Assets increased by $2.044 million to end the year at $182.915 million.
- Liabilities decreased by $2.944 million to end the year at $37.621 million.
- Net position, which is the residual of assets and deferred outflows after deducting liabilities and deferred inflows, increased $1.728 million to end the year at $137.035 million.

Other significant changes were as follows:

- Operating revenues totaled $36.788 million, a decrease of $1.878 million.
- Operating expenses totaled $69.594 million, a decrease of $830 thousand.
- Nonoperating revenues, net of nonoperating expenses, totaled $30.162 million, an increase of $381 thousand.
- Capital appropriations and contributions totaled $4.371 million, a decrease of $7.889 million.

Management's Discussion and Analysis

Statement of Net Position

The Statement of Net Position provides information about the College's financial position, and presents all of the College's assets, deferred outflows, liabilities, and deferred inflow, with the difference reported as net position. A condensed comparison of the Statement of Net Position is as follows:

Condensed Statement of Net Position As of June 30th	2019	2018
Assets		
Current assets	$ 39,692,225	$ 35,934,746
Capital assets, net	142,823,037	144,536,188
Other assets, noncurrent	400,000	400,000
Total Assets	**182,915,262**	**180,870,934**
Deferred Outflows of Resources		
Deferred outflows, relating to pensions	1,981,609	1,405,768
Deferred Outflows, relating to OPEB	1,015,875	346,733
Total Deferred Outflows	**2,997,484**	**1,752,501**
Liabilities		
Current liabilities	8,221,705	9,310,795
Noncurrent liabilities	29,399,948	31,255,707
Total Liabilities	**37,621,653**	**40,566,502**
Deferred Inflows of Resources		
Deferred inflows, relating to pensions	2,651,483	2,242,091
Deferred inflows, relating to OPEB	8,604,326	4,507,600
Total Deferred Inflows	**11,255,809**	**6,749,691**
Net Position		
Net investment in capital assets	142,673,867	144,242,069
Restricted	635,556	591,429
Unrestricted	(6,274,140)	(9,526,257)
Total Net Position	**$ 137,035,284**	**$ 135,307,241**

Management's Discussion and Analysis

Current assets consist primarily of cash, investments, various accounts receivables and inventories. The increase of current assets in FY 2019 can be attributed an increase in cash and cash equivalents offset partially by a slight decrease in accounts receivable and increase of operating revenue from state and local grants and contracts.

Net capital assets decreased by $1.713 million or 1% from FY 2018 to FY 2019. The decrease is primarily the result of current depreciation expense of $4.949 million. This decrease was offset in part by ongoing acquisitions of capitalized equipment.

Deferred outflows of resources and deferred inflows of resources represent pension-related deferrals associated with the implementation of GASB Statement No. 68 in FY 2015, Statement No. 73 in FY 2017, and Statement No. 75 in FY 2018. The increase in deferred outflows reflect the College's proportionate share of an increase in the state-wide amounts reported by the Department of Retirement System (DRS) and Health Care Authority (HCA) due to differences between expected and actual experience related to the actuarial assumptions. The College recorded $1.752 million in FY 2018 and $2.997 million in FY 2019 of pension and postemployment-related deferred outflows. The increase reflects the change in proportionate share.

Similarly, the increase in deferred inflows in 2019 reflects the increase in difference between actual and projected investment earnings on the state's pension plans. The College recorded $6.749 million in FY 2018 and $11.255 million in FY 2019 of pension and postemployment-related deferred inflows.

Current liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, certificate of participation (COP) debt due within one year for a 2010 energy efficiency project, unearned revenue and current portion of long-term liabilities. Current liabilities can fluctuate from year to year depending on the timeliness of vendor invoices and resulting vendor payments, especially in the area of capital assets and improvements.

Current liabilities decreased $1.089 million or 12% from FY 2018 to FY 2019. This decrease is due primarily to a decrease in the College's proportionate share of the postemployment benefit current liability for state's OPEB. This decrease was offset in part by an increase in accrued liabilities.

Noncurrent liabilities consist of the value of vacation and sick leave earned but not yet used by employees, pension liability and OPEB liability. The College's noncurrent liabilities decreased by $1.855 million or 6%. This decrease is due primarily to decreases in pension liability and College's proportionate share of the postemployment benefit liability for state's OPEB.

Net position represents the value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted. Total net position increased $1.728 million or 1%. The largest portion of the College's net position is the net investment in capital assets which decreased $1.568 million or 1% from FY 2018 to FY 2019. The restricted component of net position consists of amounts for institutional financial aid and an endowment. The unrestricted component of net position consists of all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management, increased $3.252 million or 34%.

Statement of Revenues, Expenses and Changes in Net Position
The Statement of Revenues, Expenses and Changes in Net Position accounts for the College's changes in total net position during FY 2019. The objective of the statement is to present the revenues earned, both operating and nonoperating, and the expenses paid or incurred by the College, along with any other revenue, expenses, gains and losses of the College.

Generally, operating revenues are earned by the College in exchange for providing goods and services. Tuition, grants and contracts are included in this category. In contrast, nonoperating revenues include monies the college receives from another government without directly giving equal value to that government in return. Accounting standards require that the College categorize state operating appropriations and Pell Grants as nonoperating revenues.

Operating expenses are expenses incurred in the normal operation of the College, including depreciation on property and equipment assets. When operating revenues, excluding state appropriations and Pell Grants, are measured against operating expenses, the College shows an operating loss. The operating loss is reflective of the external funding necessary to keep tuition lower than the cost of the services provided.

A condensed comparison of the College's revenues, expenses and changes in net position for the years ended June 30, 2019 and 2018 is presented below.

Management's Discussion and Analysis

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2019 and 2018		
Operating Revenues	**2019**	**2018**
Student tuition and fees, net	18,407,935	21,201,406
Auxiliary enterprise sales, net	1,956,039	3,876,374
State and local grants and contracts	13,931,210	11,960,168
Federal grants and contracts	806,084	806,220
Other operating revenues	1,686,939	822,120
Total operating revenues	**36,788,207**	**38,666,289**
Operating Expenses		
Salaries and wages	30,705,122	29,086,499
Employee benefits	10,144,310	10,706,483
Scholarships, net of discounts	10,437,496	12,745,514
Depreciation	4,949,801	4,346,948
Other operating expenses	13,357,476	13,539,206
Total operating expenses	**69,594,206**	**70,424,649**
Operating Income (Loss)	**(32,805,999)**	**(31,758,360)**
Nonoperating Revenues (Expenses)		
State appropriations	25,765,411	24,855,043
Federal Pell grant revenue	6,018,650	6,866,414
Investment income	526,508	241,122
Other nonoperating revenues (expenses)	(2,148,380)	(2,181,652)
Net nonoperating revenues (expenses)	**30,162,189**	**29,780,927**
Income or (loss) before capital contributions	**(2,643,810)**	**(1,977,434)**
Capital appropriations and contributions	**4,371,852**	**12,261,203**
Change in Net position	**1,728,042**	**10,283,769**
Net Position		
Net position, beginning of year	135,307,241	148,732,442
Cumulative effect of change in accounting principle	-	(24,799,550)
Prior Period Adjustments	-	1,090,580
Net position, beginning of year, as restated	135,307,241	125,023,472
Net position, end of year	**137,035,284**	**135,307,241**

Revenues

In FY 2019, the College's decrease in tuition and fee revenue is primarily attributed to the decline in enrollments. Auxiliary enterprise sales are lower when compared with FY 2018, primarily as a result of the College signing an agreement October 2018 with Barnes & Noble Booksellers LLC for management of the operations of the bookstore.

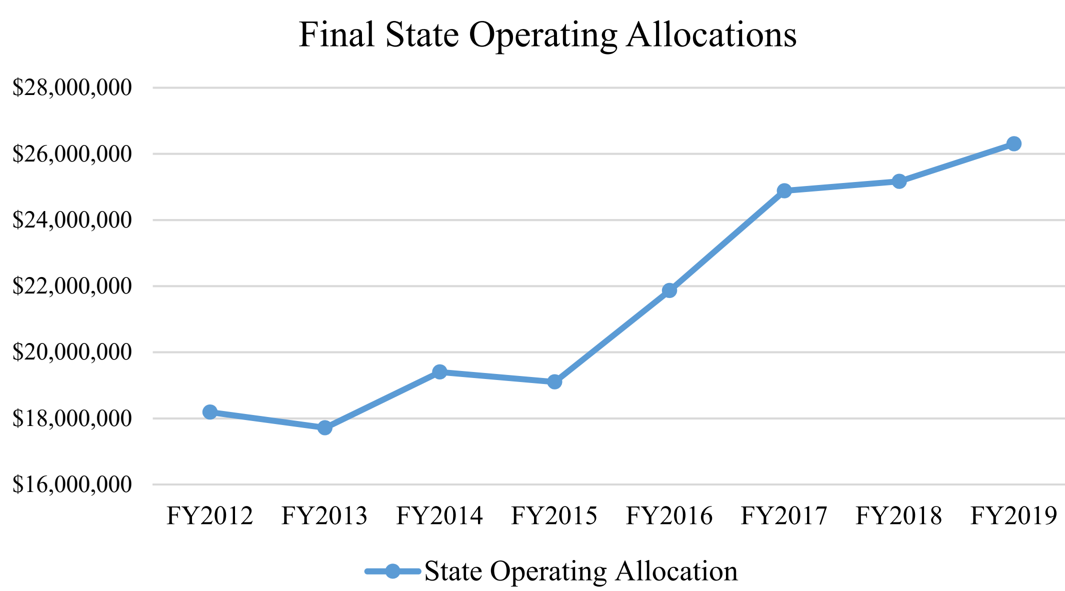
Management's Discussion and Analysis

In FY 2019, grant and contract revenues increased by $1.971 million when compared with FY 2018. This increase is mainly attributed to an increase in Running Start enrollments of 8% as well as an increase in the Running Start reimbursement rates. The College contracts with local high schools to enroll Running Start students who earn both high school and college credit for these courses. The College continued to serve students under the terms of contracted programs.

Pell grant revenues, a need-based grant, decreased during FY 2019 by $847 thousand or 12%. For FY 2019, the College attempted to keep other fees as stable as possible, resulting in only small changes in these revenues. In addition, the College serves some students and offers some programs on a fee-only basis, as allowed by law.

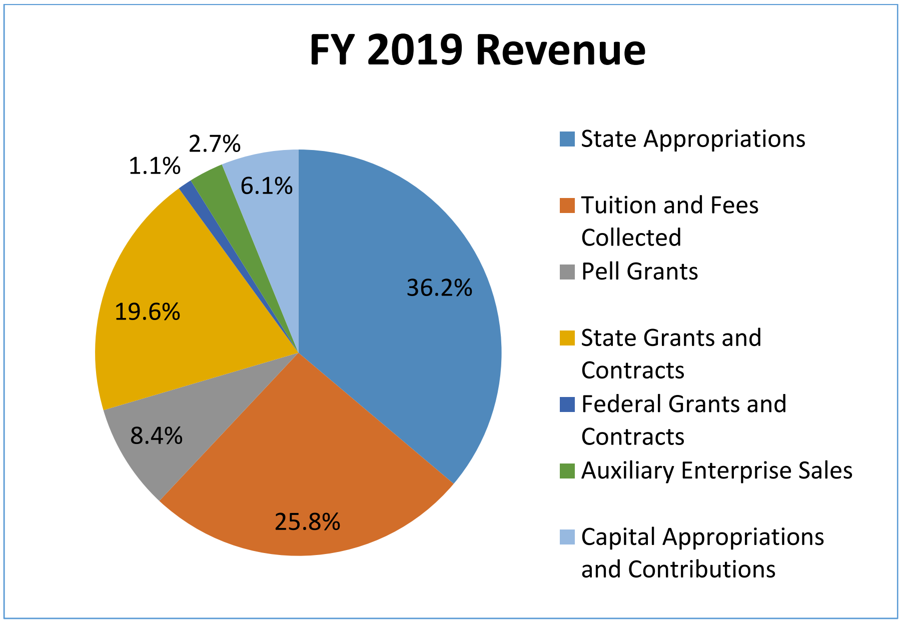
The State of Washington appropriates funds to the community college system as a whole. The State Board for Community and Technical Colleges (SBCTC) then allocates monies to each college. In FY 2018, the SBCTC allocated funds to each of the 34 college's based on 3-year average FTE actuals. Additionally, the Supplemental Budget also reduced the general fund by the amount set aside specifically for Pension Stabilization. This method of allocation will continue in FY 2020.

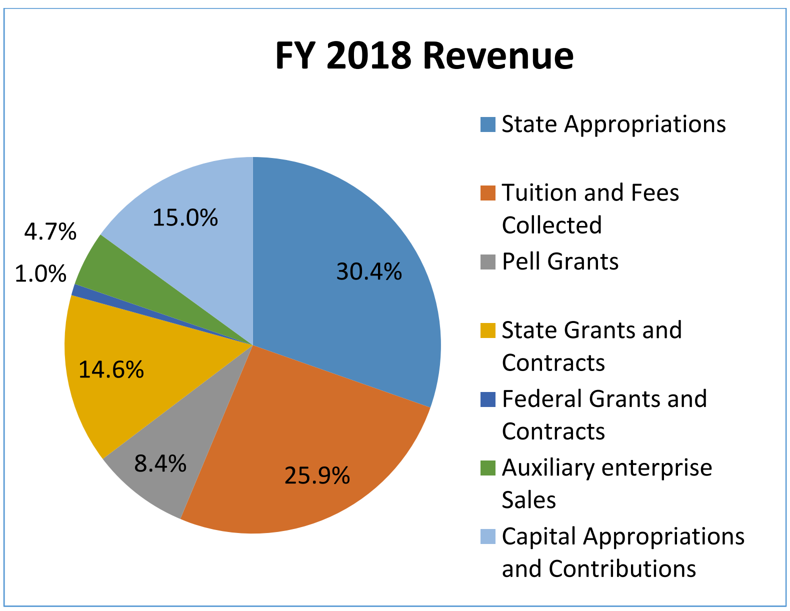
In FY 2017, the Legislature enacted the Affordable Education Act, which reduced tuition by 5% at the College. This reduced the amount of tuition revenue collected by the College. The Legislature did however backfill a portion of this loss as seen in the graph below.



The College receives capital spending authority on a biennial basis and may carry unexpended amounts forward into one or two future biennia, depending on the original purpose of the funding. In accordance with accounting standards, the amount shown as capital appropriation revenue on the financial statement is the amount expended in the current year. Expenses from capital project funds that do not meet accounting standards for capitalization are reported as operating expenses. Those expenses that meet the capitalization standard are not shown as expense in the current period and are instead recognized as depreciation expense over the expected useful lifetime of the asset.

The charts below show the percentage of each revenue by source for FY 2019 and FY 2018.



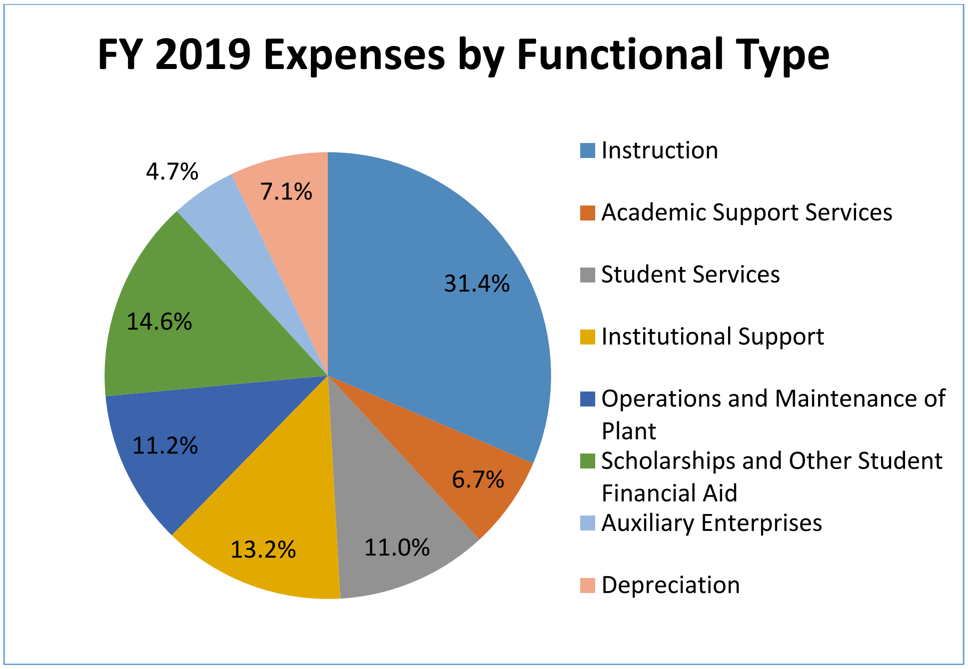


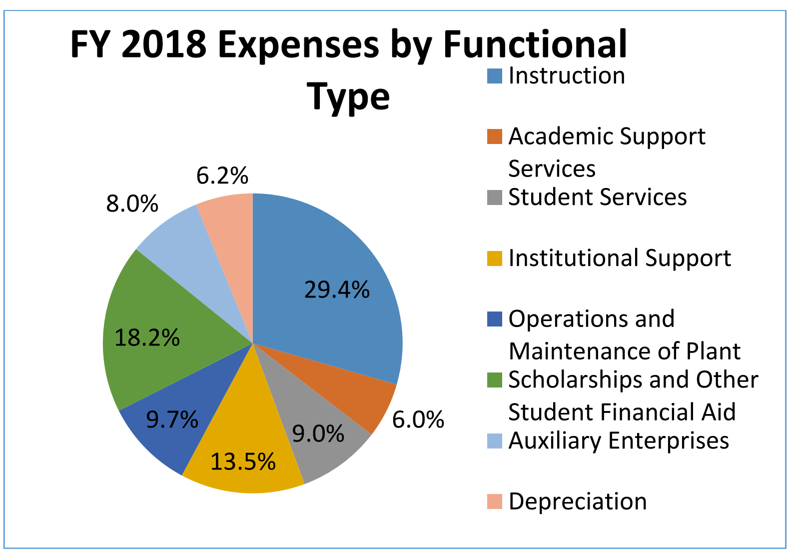
Expenses
In FY 2019, salary costs increased $1.618 million or 6% as a result of the 2% salary increase by the Legislature. Also, the benefit costs decreased $562 thousand or 5% as result of the pension and OPEB expenses.

Management's Discussion and Analysis

Total operating expenses decreased $830 thousand from FY 2018 to FY 2019. Certain capital project costs do not meet accounting criteria for capitalization as part of the cost of the building and are instead recognized as supplies and materials or purchased services costs. These fluctuations are to be expected. Depreciation expense is also primarily driven by capital activity, with the annual depreciation expense showing a significant increase in any year when a new building is placed in service. Other costs reported as operating expense include items such as travel, employee training, non-capitalized equipment, software, printing and other supplies.

The charts below show the percentage of each functional area of operating expenses for FY 2019 and FY 2018.





Management's Discussion and Analysis

Capital Assets and Long-Term Debt Activities
The community and technical college system submits a single prioritized request to the Office of Financial Management and the Legislature for appropriated capital funds, which includes major projects, minor projects, repairs, emergency funds, alternative financing and major leases. The primary funding source for college capital projects is state general obligation bonds. In recent years, declining state revenues significantly reduced the state's debt capacity and are expected to continue to impact the number of new projects that can be financed.

At June 30, 2019, the College had $142.823 million in capital assets, net of accumulated depreciation. This represents a decrease of $1.713 million or 1% from last year, as shown in the table below.

Asset Type	June 30, 2019	June 30, 2018	Change
Land	$ 11,809,552	$ 11,752,445	$ 57,107
Construction-in-Progress	34,198	419,438	(385,240)
Buildings, net	119,306,618	120,251,553	(944,935)
Other Improvements and Infrastructure, net	8,689,827	9,567,410	(877,583)
Equipment, net	2,803,717	2,342,538	461,179
Library Resources, net	179,125	202,804	(23,679)
Total Capital Assets, Net	**$ 142,823,037**	**$ 144,536,188**	**$ (1,713,151)**

Capital asset activity is disclosed in Note 5.

The decrease in net capital assets can be attributed primarily to current year depreciation expense of $4.949 million exceeding the capital asset additions of $3.660 million.

At June 30, 2019, the College had $149 thousand in outstanding debt. The College entered into a certificate of participation (COP) in 2010 for energy enhancements. The College has no capital leases at this time.

Long-Term Debt	June 30, 2019	June 30, 2018	Change
Certificates of Participation	149,170	294,119	(144,949)
Total	**$ 149,170**	**$ 294,119**	**$ (144,949)**

See Note 9 for additional information on certificates of participation and Note 10 on long-term liabilities.

Economic Factors That May Affect the Future
In FY 2017, the State Board for Community and Technical College's elected to move to a new allocation model, changing how state allocated funds are distributed to each college. Prior to this, there were disparities on how colleges were funded. For the first time in history, all 34 community and technical colleges are funded at the same amount per full-time equivalent student, and in a predictable way, enabling us to describe our funding structure to legislators, and

all serve students from the same basic support. This model is based on performance in several key indicators, from general enrollments to enrollments in high cost programs, as well as student completion and achievement points. The model is based on a three-year rolling average of enrollments and completions, comparative to other institutions in the state. The net result of this new model is that funding from under-enrolled colleges, based on the three-year rolling average, can have their FTE (full-time equivalent student) allocation reduced, and colleges showing an increase in enrollment can receive additional FTE. In other words, there is no new funding created, it is simply reshuffled to those colleges that are showing growth.

Due to a current decrease in enrollment, and a possible extended period of declining enrollments, it is expected that the College, along with most of the Washington State community and technical colleges, will likely see a decrease in state operating appropriations in future years. The College is ultimately subject to the same economic variables that affect other entities but continues to "pursue enriching our diverse communities through quality education and support to allow students to achieve their educational goals". Concentrated work planned for FY 2020, and beyond, to address any potential declines in enrollment include the following: 1) the College joined Achieving the Dream, which is a group of 220+ community colleges that use disaggregated data to create a laser-like focus on closing achievement gaps evident among various groups, which, once the work is completed, will result in increased graduation rates for all groups of students; 2) The College will be focusing on Guided Career Pathways, a proven method for enrolling more students, retaining those students, helping them move through their program, build supports throughout the program that will ensure they stay on track, and ensure students reach the learning outcomes for the program. This is a multi-year project that will make it easier for students to transition to the college from high school, move efficiently through Olympic College, and transition to a university or workforce; 3) The College will also be focusing on a Strategic Enrollment Management plan that will enable us to focus on those activities that result in the biggest gains. In addition to these goals, the College will continue to seek additional ways to improve efficiencies, reduce expenses while providing quality education, and support to our diverse communities.

With the biennial capital budget for FY 2019-21, the College is expecting to receive an estimated $7.652 million in state capital funding for the major remodel of the Shop building which currently houses four programs: Welding, Composite Materials and classrooms for Electronics and Technical Design. Total estimated project cost is $10.465 million. The estimated completion is October 2021.

Olympic College
Statement of Net Position
June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	$ 30,586,285
Restricted cash and cash equivalents	311,616
Accounts receivable, net	8,794,324
Total current assets	**39,692,225**
Noncurrent Assets:	
Restricted cash and cash equivalents	400,000
Non-depreciable capital assets	11,843,750
Depreciable capital assets, net	130,979,287
Total noncurrent assets	**143,223,037**
Total assets	**182,915,262**
Deferred Outflows of Resources	
Deferred outflows, relating to pensions	1,981,609
Deferred outflows, relating to OPEB	1,015,875
Total deferred outflows of resources	**2,997,484**
Liabilities	
Current Liabilities:	
Accounts payable	999,018
Accrued liabilities	4,293,395
Compensated absences, current portion	243,060
Unearned revenues	2,110,758
Certificates of participation, due within one year	149,170
Total pension liability, current portion	75,935
OPEB liability, current portion	350,369
Total current liabilities	**8,221,705**
Noncurrent Liabilities:	
Compensated absences	2,978,434
Net pension liability	4,069,225
Total pension liability	3,620,517
OPEB liability	18,731,771
Total noncurrent liabilities	**29,399,948**
Total liabilities	**37,621,653**
Deferred Inflows of Resources	
Deferred inflows, relating to pensions	2,651,483
Deferred inflows, relating to OPEB	8,604,326
Total deferred inflows of resources	**11,255,809**
Net Position	
Net Investment in Capital Assets	142,673,867
Restricted for:	
Nonexpendable	400,000
Expendable	235,556
Unrestricted (deficit)	(6,274,140)
Total net position	**$ 137,035,284**

The Notes to the Financial Statements are an integral part of this statement.

Olympic College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2019

Operating Revenues		
Student tuition and fees, net of scholarship discounts and allowances	$	18,407,935
Auxiliary enterprise sales, net		1,956,039
State and local grants and contracts		13,931,210
Federal grants and contracts		806,084
Other operating revenues		1,686,939
Total operating revenue		**36,788,207**
Operating Expenses		
Salaries and wages		30,705,122
Employee benefits		10,144,310
Scholarships and fellowships		10,437,496
Supplies and materials		2,609,014
Depreciation		4,949,801
Purchased services		2,436,253
Utilities		1,080,677
Other operating expenses		7,231,533
Total operating expenses		**69,594,206**
Operating income (loss)		**(32,805,999)**
Nonoperating Revenues (Expenses)		
State appropriations		25,765,411
Federal Pell grant revenue		6,018,650
Investment income		526,508
Building fee remittance		(1,709,927)
Innovation fund remittance		(430,991)
Interest on indebtedness		(7,462)
Total noperating revenue (expenses)		**30,162,189**
Income (loss) before capital appropriations and contributions		**(2,643,810)**
Capital appropriations		4,166,909
Capital contributions		178,930
Noncash capital contributions		26,013
Change in net position		**1,728,042**
Net Position		
Net position, beginning of year		**135,307,241**
Net position, end of year	**$**	**137,035,284**

The Notes to the Financial Statements are an integral part of this statement.

Olympic College
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities		
Student tuition and fees	$	18,221,812
Grants and contracts		15,091,266
Payments to vendors		(3,464,636)
Payments for utilities		(1,155,839)
Payments to employees		(30,522,022)
Payments for benefits		(10,463,958)
Auxiliary enterprise sales		2,017,375
Payments for scholarships and fellowships		(10,437,496)
Other receipts (payments)		(7,473,546)
Net cash used by operating activities		**(28,187,042)**
Cash flows from noncapital financing activities		
State appropriations		26,826,457
Pell grants		6,018,650
Building fee remittance		(1,685,614)
Innovation fund remittance		(468,469)
Net cash provided by noncapital financing activities		**30,691,024**
Cash flows from capital and related financing activities		
Capital appropriations		4,960,325
Capital contributions		178,930
Purchases of capital assets		(3,214,587)
Principal paid on capital debt		(144,949)
Interest paid		(7,462)
Net cash used by capital and related financing activities		**1,772,257**
Cash flows from investing activities		
Income of investments		526,508
Net cash provided by investing activities		**526,508**
Net increase or (decrease) in cash and cash equivalents		**4,802,747**
Cash and cash equivalents at the beginning of the year		**26,495,154**
Cash and cash equivalents at the end of the year	**$**	**31,297,901**

The Notes to the Financial Statements are an integral part of this statement.

Olympic College
Statement of Cash Flows
For the Year Ended June 30, 2019

Reconciliation of Operating Loss to Net Cash used by Operating Activities		
Operating Loss	**$**	**(32,805,999)**
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense		4,949,801
Changes in assets and liabilities:		
Receivables, net		(1,527,147)
Inventories		446,778
Accounts payable		355,432
Accrued liabilities		786,062
Unearned revenue		(172,618)
Compensated absences		75,955
Net pension liabilities		(895,454)
Net OPEB liability		600,148
Net cash used by operating activities	**$**	**(28,187,042)**
Noncash capital activities		
Contribution of equipment		26,013

The Notes to the Financial Statements are an integral part of this statement.

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	$ 710,891	$ 608,165
Pledges receivable, current portion	52,922	51,991
Prepaid expenses	4,858	11,026
Total current assets	768,671	671,182
Endowment Investments	15,206,818	15,100,684
Pledges Receivable, net of current portion	30,000	50,000
Computers and Equipment, net of accumulated depreciation	-	326
Total assets	$ 16,005,489	$ 15,822,192

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities		
Accounts payable	$ 178,972	$ 630
Scholarships payable	471,074	419,881
Programs payable	119,500	116,669
Deferred revenue	6,500	14,401
Total liabilities	776,046	551,581
Net Assets		
Without donor restrictions		
Undesignated	(211,591)	33,232
Board-designated	359,211	719,524
Total net assets without donor restrictions	147,620	752,756
With donor restrictions	15,081,823	14,517,855
Total net assets	15,229,443	15,270,611
Total liabilities and net assets	$ 16,005,489	$ 15,822,192

The Notes to the Financial Statements are an integral part of this statement.

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and bequests	$ 209,117	$ 155,642	$ 364,759	$ 107,334	$ 175,010	$ 282,344
Special events	219,657	-	219,657	216,751	-	216,751
Less: direct benefit to donors	(87,472)	-	(87,472)	(114,767)	-	(114,767)
In-kind contributions	268,469	-	268,469	244,799	-	244,799
Investment earnings, net	68,881	456,008	524,889	191,201	595,111	786,312
Net assets released from restriction	683,410	(683,410)	-	870,710	(870,710)	-
Total support and revenue	1,362,062	(71,760)	1,290,302	1,516,028	(100,589)	1,415,439
Expenses						
Program service	1,232,836	-	1,232,836	1,598,704	-	1,598,704
Management and general	314,233	-	314,233	209,873	-	209,873
Fundraising	396,963	-	396,963	193,073	-	193,073
Total expenses	1,944,032	-	1,944,032	2,001,650	-	2,001,650
Total change in net assets before campaign contributions and expenditures	(581,970)	(71,760)	(653,730)	(485,622)	(100,589)	(586,211)
Campaign Contributions	-	635,728	635,728	479,488	1,494,320	1,973,808
Less: Campaign Expenditures	(23,166)	-	(23,166)	(102,142)	-	(102,142)
Change in net assets	**(605,136)**	**563,968**	**(41,168)**	**(108,276)**	**1,393,731**	**1,285,455**
Net Assets, beginning of year	752,756	14,517,855	15,270,611	861,032	13,124,124	13,985,156
Net Assets, end of year	$ 147,620	$ 15,081,823	$ 15,229,443	$ 752,756	$ 14,517,855	$ 15,270,611

The Notes to the Financial Statements are an integral part of this statement.

OLYMPIC COLLEGE FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ (41,168)	$ 1,285,455
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	326	654
Contributions restricted for investment in endowment	(667,072)	(1,509,829)
Realized and unrealized gain on investments	(250,412)	(490,790)
Changes in operating assets and liabilities		
Pledges receivable	19,069	(5,763)
Prepaid expenses	6,168	(10,698)
Accounts payable	178,342	(634)
Scholarships payable	51,193	22,051
Programs payable	2,831	72,462
Deferred revenue	(7,901)	5,901
Net cash flows from operating activities	(708,624)	(631,191)
Cash Flows from Investing Activities		
Investment purchases	(16,135,582)	(1,877,116)
Proceeds from investment sales	16,279,860	1,105,754
Net cash flows from investing activities	144,278	(771,362)
Cash Flows from Financing Activity		
Contributions restricted for investment in endowment	667,072	1,509,829
Change in cash and cash equivalents	**102,726**	**107,276**
Cash and Cash Equivalents, beginning of year	608,165	500,889
Cash and Cash Equivalents, end of year	$ 710,891	$ 608,165

The Notes to the Financial Statements are an integral part of this statement.

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2018
With Comparative Totals as of December 31, 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 132,619	$ 261,293
Investments	20,626,985	21,831,187
Rent receivable	3,830	3,498
Deferred rent receivable	17,021	12,989
Federal income tax receivable	125	-
Prepaid expenses	39,906	48,566
Current portion of note receivable	4,000	4,000
Total current assets	20,824,486	22,161,533
PROPERTY AND EQUIPMENT		
Land	1,518,914	1,518,914
Buildings, fixtures and equipment	10,620,799	10,610,624
Construction in progress	14,824	14,824
	12,154,537	12,144,362
Less accumulated depreciation	(5,703,155)	(5,462,238)
Total property and equipment, net	6,451,382	6,682,124
NOTE RECEIVABLE, net of current portion	10,333	14,333
Total assets	$ 27,286,201	$ 28,857,990

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 53,915	$ 37,248
Property tax payable	105,784	110,892
Refundable security deposits	16,361	13,025
Income tax payable	-	1,375
Contributions payable to Olympic College	167,219	-
Demand note facility	583,000	333,000
Total current liabilities	926,279	495,540
LONG-TERM DEBT - demand note facility	291,510	655,904
NET ASSETS		
Net assets with donor restrictions	26,068,412	27,706,546
Total liabilities and net assets	$ 27,286,201	$ 28,857,990

The Notes to the Financial Statements are an integral part of this statement.

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2018	Total 2017
REVENUES				
Rental	$ -	$ 977,272	$ 977,272	$ 909,144
Interest	-	48,973	48,973	46,068
Dividends	-	478,170	478,170	457,416
Miscellaneous income	-	4,994	4,994	15,345
Gain on sale of real estate	-	-	-	569,004
Net realized gain on investments	-	489,653	489,653	932,081
Net unrealized gain (loss) on investments	-	(2,300,756)	(2,300,756)	2,011,711
Assets released from restrictions	1,336,440	(1,336,440)	-	-
Total revenues	1,336,440	(1,638,134)	(301,694)	4,940,769
EXPENSES				
Program services	934,890	-	934,890	993,632
Management and general	401,550	-	401,550	1,397,634
Total expenses	1,336,440	-	1,336,440	2,391,266
CHANGE IN NET ASSETS	-	(1,638,134)	(1,638,134)	2,549,503
NET ASSETS				
Beginning of year	-	27,706,546	27,706,546	25,157,043
End of year	$ -	$ 26,068,412	$ 26,068,412	$ 27,706,546

The Notes to the Financial Statements are an integral part of this statement.

JOHN BREMER EDWARD BREMER CONSOLIDATED TRUST
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2018
With Comparative Totals for the Year Ended December 31, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (1,638,134)	$ 2,549,503
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	258,767	257,113
Gain on sale of real estate	-	(569,004)
Realized gain on investments	(489,653)	(932,081)
Unrealized (gain) loss on investments	2,300,756	(2,011,711)
Decrease (increase) in:		
Rent receivable	(332)	156,959
Deferred rent receivable	(4,032)	(6,053)
Federal income tax receivable	(125)	1,176
Prepaid expenses	8,660	8,732
Increase (decrease) in:		
Accounts payable	16,667	(387)
Property taxes payable	(5,108)	(84)
Refundable security deposits	3,336	1,925
Income tax payable	(1,375)	1,375
Contributions payable to Olympic College	167,219	-
Net cash provided (used) by operating activities	616,646	(542,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,630,032)	(5,842,260)
Proceeds from sale of investments	5,023,131	6,802,117
Proceeds from sale of real estate	-	928,002
Purchases of property and equipment	(28,025)	(154,046)
Issuance of note receivable	-	(20,000)
Payments collected on notes receivable	4,000	1,667
Net cash (used) provided by investing activities	(630,926)	1,715,480
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on demand note facility	(114,394)	(5,182,278)
Proceeds from issuance of demand note facility	-	4,170,910
Net cash used by financing activities	(114,394)	(1,011,368)
Increase (decrease) in cash and cash equivalents	(128,674)	161,575
Cash & cash equivalents, beginning of year	261,293	99,718
Cash & cash equivalents, end of year	$ 132,619	$ 261,293

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

June 30, 2019
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies
The financial statements of Olympic College have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). For financial reporting purposes, the College is considered a special-purpose government engaged only in Business Type Activities (BTA). Following is a summary of the significant accounting policies.

Reporting Entity
Olympic College (the College) is an agency of the State of Washington. The financial activity of the College is included as part of the entire community and technical college system in the State's Comprehensive Annual Financial Report (CAFR). Olympic College is a comprehensive community college offering open-door academic programs, workforce education, basic skills, and community services. The College confers bachelor's degrees, associate's degrees, certificates, and high school diplomas. It is governed by a five-member Board of Trustees appointed by the Governor and confirmed by the state Senate.

The Olympic College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Washington law in 1993 and recognized as a tax exempt 501(c)(3) charity. The Foundation's charitable purpose is to support student success and program excellence at Olympic College by promoting and receiving philanthropic gifts for the benefit of Olympic College, including student scholarships, program enhancements, professional development, equipment, capital projects, cultural events and activities that enrich the entire college community. Because the majority of the Foundation's income and resources are restricted by donors and may only be used for the benefit of the college or its students, the Foundation is considered a component unit based on the criteria contained in Governmental Accounting Standards Board (GASB) Statement Nos. 61, 39 and 14. Component units are reported as part of the reporting entity under either the blended or the discrete method of presentation. A discrete component unit is an entity which is legally separate from the College, but has the potential to provide significant financial benefits to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation's financial statements are discretely presented in this report and have been prepared in accordance with generally accepted accounting principles in the United States of America. Intra-entity transactions and balances between the College and the Foundation are not eliminated for financial statement presentation. During the fiscal year ended June 30, 2019, the Foundation distributed approximately $422,050 to the College for scholarships related to tuition and fees. A copy of the Foundation's complete financial statements may be obtained from the Executive Director of the Foundation, Olympic College, 1600 Chester Avenue, Bremerton, WA 98337 or by calling (360) 475-7120.

Notes to the Financial Statements

The College is the beneficiary of the John Bremer and Edward Bremer Consolidated Trust. On January 1, 1987, the Estate of Ed Bremer and the John Bremer Residuary Trust formed Bremers Partnership by each contributing property. On January 1, 1988, the assets of the Estate were transferred into the Trust. The endowments of the Trust require that the trustee distribute a minimum of 50% of the change in net assets, adjusted for capital gains or losses, to Olympic College on an annual basis. The Bremer Trust financial statements are discretely presented in this report. The Trust's statements have been prepared in accordance with generally accepted accounting principles in the United States of America. Intra-entity transactions and balances between the College and the Bremer Trust are not eliminated for financial statement presentation. During the fiscal year ended, the Trust distributed $5,750 to the College. A copy of the Trust's complete financial statements may be obtained from Sarah Andresen, Hearthstone CPA Group, 4312 Kitsap Way, Suite 102, Bremerton, WA 98312.

Basis of Accounting

The financial statements of the College have been prepared using the economic resources measurement focus and the full-accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows. For the financial statements, intra-agency receivables and payables have generally been eliminated. However, revenues and expenses from the College's auxiliary enterprises are treated as though the College were dealing with private vendors.

Non-exchange transactions, in which the College receives (or gives) value without directly giving (or receiving) equal value in exchange, includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). The College considers deposits with LGIP cash and cash equivalents. Cash and cash equivalents that are held with the intent to fund College operations are classified as current assets along with operating funds invested in the LGIP. The College records all cash and cash equivalents at amortized cost, which approximates fair value or at fair value.

Restricted Assets

Certain cash and cash equivalent funds are classified as restricted assets if their use is legally or contractually prohibited and such use limitations are externally imposed by creditors, contractual or funding source agreements, or legislation. The assets held in these accounts are restricted for specific uses. These are classified as current or noncurrent assets, as appropriate.

Notes to the Financial Statements

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This also includes amounts due from federal, state and local governments or private sources as allowed under the terms of grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Capital Assets

In accordance with state law, capital assets constructed with state funds are owned by the State of Washington. Property titles are shown accordingly. However, responsibility for managing the assets rests with the College. As a result, the assets are included in the financial statements because excluding them would have been misleading.

Land, buildings and equipment are recorded at cost, or if acquired by gift, at acquisition value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs. Any interest costs incurred are capitalized during the period of construction. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, assets are capitalized as follows:

- All land
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a unit cost of $100,000 or more
- Intangible assets and software with a unit cost of $1,000,000 or more
- All other capital assets with a unit cost of $5,000 or greater, or collections with a total cost of $5,000 or greater

Depreciation is computed using the straight line method over the estimated useful lives of the assets as defined by the State of Washington's Office of Financial Management (OFM). Useful lives are generally 3 to 7 years for equipment; 15 to 50 years for buildings and 20 to 50 years for infrastructure and land improvements.

The college reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2019, no assets had been written down.

See Note 5 for the capital asset components, balances and activity for the fiscal year.

Unearned Revenues

Unearned revenues occur when funds have been collected prior to the end of the fiscal year but related to the subsequent fiscal year. The College has recorded summer and fall quarter tuition and fees as unearned revenues, as well as prepayments for other quarters.

Tax Exemption

The College is a tax-exempt organization under the provisions of Section 115 (1) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Notes to the Financial Statements

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense in accordance with GASB Statement No. 68, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 13 for more details.

The College also reports its share of the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for the State Board Retirement Plan in accordance with GASB Statement No. 73. The reporting requirements are similar to GASB Statement No. 68 but use current fiscal yearend as the measurement date for reporting the pension liabilities. See Note 14 for more details.

OPEB Liability

In fiscal year 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for postemployment Benefits Other than Pensions (OPEB)*. This Statement requires the College to recognize its proportionate share of the state's actuarially determined OPEB liability with a one year lag measurement date similar to GASB Statement No. 68. See Note 15 for more details.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent consumption of net position that is applicable to a future period. Deferred inflows of resources represent acquisition of net position that is applicable to a future period.

Changes in the pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the pension liability and OPEB liability are reported as deferred outflows of resources.

See Notes 12 through 15 for more details.

Net Position

The College's net position is classified as follows:

- **Net Investment in Capital Assets -** The College's total investment in property, plant, equipment, and infrastructure net of accumulated depreciation and any outstanding debt obligations related to those capital assets.
- **Restricted for Nonexpendable -** Consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal is to be maintained inviolate and in perpetuity and invested for the

purpose of producing present and future income which may either be expended or added to the principal.

- **Restricted for Expendable** - Includes resources the College is legally or contractually obligated to spend in accordance with restrictions placed by donor and/or external parties on the use of the asset. The primary expendable funds for the College are student loans, and the expendable portion of endowments.
- **Unrestricted -** Includes all other assets not subject to externally imposed restrictions, but which may be designated or obligated for specific purposes by the Board of Trustees or management. Prudent balances are maintained for use as working capital, as a reserve against emergencies and for other purposes, in accordance with policies established by the Board of Trustees.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating revenues according to the following criteria:

Operating Revenues. This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of waivers and scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts. The grants and contracts support the operational/educational activities of the College. Examples include a contract with Office of the Superintendent of Public Instruction (OSPI) to offer Running Start and the Adult Basic Education (ABE) grant that support the primary educational mission of the College.

Operating Expenses. Operating expenses include salaries, wages, fringe benefits, scholarships and fellowships, supplies and materials, depreciation, purchased services, and utilities.

Nonoperating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as state appropriations, Pell Grants received from the federal government, investment income, and gifts and contributions.

Nonoperating Expenses. Nonoperating expenses include state remittance related to the building fee and the innovation fee, along with interest incurred on the certificate of participation loan.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance. Discounts and allowances for the year ending June 30, 2019 are $2,731,299.

Notes to the Financial Statements

State and Capital Appropriations

The State of Washington appropriates funds to the College on both an annual and biennial basis. State appropriations are reported as non-operating revenues and State capital appropriations are reported as capital contributions on the Statements of Revenues, Expenses, and Changes in Net Position, and both are recognized as such when the related expenses are incurred.

Building and Innovation Fee Remittance

Tuition collected includes amounts that have been remitted for the Building Fee and Innovation Fee to the Washington State Treasurer's office to be held and appropriated in future years. The Building Fee portion of tuition charged to students is an amount established by the Legislature is subject to change annually. The fee provides funding for capital construction and projects on a system wide basis using a competitive biennial allocation process. The Building Fee is remitted on the 35th day of each quarter.

The Innovation Fee was established in order to fund the State Board of Community and Technical College's (SBCTC) Strategic Technology Plan. The use of the fund is to implement new ERP software across the entire system. On a monthly basis, the College's remits the portion of tuition collected for the Innovation Fee to the State Treasurer for allocation to SBCTC. These remittances are non-exchange transactions reported as an expense in the non-operating revenues and expenses section of the Statement of Revenues, Expenses and Changes in Net Position.

2. Accounting and Reporting Changes

Accounting Standard Impacting the Future

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be in effect beginning fiscal year 2021. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is following the State's Office of Financial Management directives to prepare for the implementation of this Statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the fiscal year ending June 30, 2021. This Statement require that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the College. The Statement will be applied on a prospective basis and the interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated.

3. Cash and Investments

Cash and cash equivalents include bank demand deposits, change funds held at the College and unit shares in the Washington State Treasurer's Local Government Investment Pool (LGIP).

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Notes to the Financial Statements

For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov. In addition, more information is available regarding the LGIP in the Washington State Consolidated Annual Financial report, which can be found online at https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report.

As of June 30, 2019, the carrying amount of the College's cash and equivalents was $31,373,961 as represented in the table below.

Cash and Cash Equivalents		**June 30, 2019**
Change Funds	$	5,150
Bank Demand and Time Deposits		5,359,996
Local Government Investment Pool		25,932,755
Total Cash and Cash Equivalents	**$**	**31,297,901**

Custodial Credit Risks—Deposits
Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The majority of the College's demand deposits are with U.S. Bank. All cash and equivalents, except for change funds and petty cash held by the College, are insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC).

4. Accounts Receivable
Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from federal, state and local governments or private sources in connection with reimbursements of allowable expenses made according to sponsored agreements. At June 30, 2019, accounts receivable were as follows:

Accounts Receivable		**Amount**
Student Tuition and Fees	$	2,700,542
Due from the Federal Government		1,470,902
Due from Other State Agencies		2,284,603
Auxiliary Enterprises		47,465
Due from Local Governments		2,700,331
Total Accounts Receivable		9,203,842
Less Allowance for Uncollectible Accounts		(409,518)
Accounts Receivable, net	**$**	**8,794,324**

5. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2019 is presented as follows. The current year depreciation expense was $4,949,801.

Capital Assets	Beginning Balance 06/30/2018	Additions	Decreases	Ending Balance 06/30/2019
Capital assets, non-depreciable				
Land	$ 11,752,445	$ 57,107	$ -	$ 11,809,552
Construction in progress	419,438	34,198	(419,438)	34,198
Total capital assets, non-depreciable	12,171,883	91,305	(419,438)	11,843,750
Capital assets, depreciable				
Buildings	153,600,934	2,470,765	-	156,071,699
Other improvements and infrastructure	16,543,735	-	-	16,543,735
Equipment	8,896,941	1,049,879	(72,115)	9,874,705
Library resources	622,598	48,089	-	670,687
Total capital assets, depreciable	179,664,208	3,568,733	(72,115)	183,160,826
Less accumulated depreciation				
Buildings	(33,349,382)	(3,415,700)	-	(36,765,082)
Other improvements and infrastructure	(6,976,324)	(877,583)	-	(7,853,907)
Equipment	(6,554,403)	(584,750)	68,166	(7,070,988)
Library resources	(419,794)	(71,769)		(491,563)
Total accumulated depreciation	(47,299,904)	(4,949,801)	68,166	(52,181,539)
Total capital assets, depreciable, net	132,364,305	(1,381,068)	(3,949)	130,979,287
Capital assets, net	**$ 144,536,188**	**$ (1,289,764)**	**$ (423,387)**	**$142,823,037**

6. Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities as of June 30, 2019 were as follows:

Accounts Payable and Accrued Liabilities	Amount
Due to Other Agencies	$ 2,699,767
Salaries and Benefits Payable	1,517,568
Accounts Payable	999,018
Amounts Held for Retainage	76,060
Total Accounts Payable and Accrued Liabilities	**$ 5,292,413**

7. Unearned Revenue

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria, as follows:

Unearned Revenue	Amount
Summer & Fall Quarter Tuition & Fees	$ 2,092,170
Future Quarters Tuition & Fees	18,588
Total Unearned Revenue	**$ 2,110,758**

8. Compensated Absences

The accrued leave liability balance as of June 30, 2019 is $3,221,494. The components of this liability include vacation and sick leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments.

In January of each year, an employee whose sick leave balance at the end of the previous year exceeds 480 hours may elect to convert the sick leave hours earned in the previous calendar year, minus those hours used during the year, to monetary compensation. Monetary compensation for converted hours is paid at a rate of 25% and is based on the employee's current salary. No sick leave hours may be converted which would reduce the calendar year-end balance below 480 hours. Additionally, employees who retire get 25% of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses and insurance purposes. At termination of employment, employees may receive cash payments for all accumulated vacation and compensatory time.

The amounts of unpaid vacation and compensatory time accumulated by College employees are accrued when incurred. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. An estimated amount, based on a three-year average payout, is accrued as a current liability. The remaining liability is categorized as a noncurrent liability. The accrued vacation leave totaled $1,099,328 and accrued sick leave totaled $2,121,662 at June 30, 2019.

Compensatory time is categorized as a current liability since it must be used before other leave. The compensatory time leave totaled $504 at June 30, 2019.

9. Certificates of Participation

In June 2010, the College obtained financing in order to implement energy enhancements on all three campuses through a certificate of participation (COP), issued by the Washington Office of State Treasurer in the amount of $1,316,981. The financing term is 10 years and the interest rate is 2.89%. The COP outstanding as of June 30, 2019 is $149,170. The College's debt service requirements to maturity for this note agreement for this agreement are as follows:

Annual Debt Service Requirements			
Certificate of Participation			
Fiscal year	**Principal**	**Interest**	**Total**
2020	$ 149,170	$ 3,242	$ 152,412
Total	**$ 149,170**	**$ 3,242**	**$ 152,412**

10. Schedule of Long-Term Liabilities

During the fiscal year ended June 30, 2019 the following changes occurred related to long-term debt obligations:

Schedule of Long-Term Liabilities	Balance outstanding 6/30/18	Additions	Reductions	Balance outstanding 6/30/19	Current portion
Certificates of Participation	$ 294,119	$ -	$ (144,950)	$ 149,170	$ 149,170
Compensation absences	3,145,539	1,163,645	(1,088,193)	3,220,991	243,060
Net pension liability - Pension plans held with Department of Retirement Systems	5,671,970	1,342,090	(2,944,835)	4,069,226	-
Total pension liability - Pension plans held with State Board Retirement Plan	2,822,714	1,858,089	(984,350)	3,696,453	75,935
OPEB liability - OPEB plan held with Health Care Authority	21,909,576	1,139,366	(3,966,803)	19,082,139	350,369
Total	**$ 33,843,917**	**$ 5,503,190**	**$(9,129,131)**	**$ 30,217,978**	**$ 818,534**

11. Operating Leases

The College is obligated under various operating leases for the use of equipment. All operating leases are with parties outside state government. Future commitments for non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019 are as follows:

Operating Leases	
Fiscal year ending	Lease Payments
2020	$ 161,108
2021	161,108
2022	83,528
2023	83,528
Total minimum lease payments	**$ 489,270**

The College rental and lease expense totaled $384,634 in FY 2019.

12. Retirement Plans

The College offers three contributory pension plans. The Washington State Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) plans are cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans are administered by the State of Washington Department of Retirement Services. The State Board Retirement Plan (SBRP) is a defined contribution single employer pension plan with a supplemental payment when required. SBRP is administered by the State Board for Community C and Technical Colleges (SBCTC) and available to faculty, exempt administrative and professional staff of the state's public community and technical colleges. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The College reports its proportionate share of the total pension liability as it is a part of the college system.

In accordance with Statement No. 68, the College has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities. The College has elected to use the current fiscal year end as the measurement date for reporting total pension liabilities in accordance with GASB Statement No. 73, for the State Board Retirement Plan. These measurement dates are in alignment with the State CAFR.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 and Statement No. 73 for Olympic College for fiscal year ending June 30, 2019:

Aggregate Pension Amounts - All Plans			
	GASB 68	GASB 73	Total
Pension liabilities	$ (4,069,225)	$ (3,696,453)	$ (7,765,678)
Deferred outflows of resources	$ 1,263,537	$ 718,072	$ 1,981,609
Deferred inflows of resources	$ (1,667,133)	$ (984,350)	$ (2,651,483)
Pension expenses/expenditures	$ 99,683	$ 127,538	$ 227,221

Washington State Deferred Compensation Program

The College, through the state of Washington, offers its employees a deferred compensation plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years. The state of Washington administers the plan on behalf of the College's employees. The deferred compensation is not available to employees until termination, retirement or unforeseeable financial emergency. The College does not have access to the funds.

13. Pension Plans administered by the Department of Retirement Systems

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan.

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of pension plans administered by DRS and additions to/deductions from the plans' net position have been determined in all material respects on the same basis as they are reported by the plans.

The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employee's Retirement System (PERS)
PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for fiscal year ending June 30, 2019 were as follows:

PERS Plan 1				
Actual Contribution Rates:	**July 1, 2018 through August 31, 2018**		**September 1, 2018 through June 30, 2019**	
	Employer	**Employee**	**Employer**	**Employee**
PERS Plan 1	7.49%	6.00%	7.52%	6.00%
PERS Plan 1 UAAL	5.03%	0.00%	5.13%	0.00%
Administrative Fee	0.18%	0.00%	0.18%	0.00%
Total	**12.70%**	**6.00%**	**12.83%**	**6.00%**

PERS Plan 2/3 defined benefit plan provides retirement, disability and death benefits. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the consumer price index), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year ending June 30, 2019 were as follows:

PERS Plan 2/3				
Actual Contribution Rates:	**July 1, 2018 through August 31, 2018**		**September 1, 2018 through June 30, 2019**	
	Employer	**Employee**	**Employer**	**Employee**
PERS Plan 2/3	7.49%	7.38%	7.49%	7.41%
PERS Plan 1 UAAL	5.03%	0.00%	5.13%	0.00%
Administrative Fee	0.18%	0.00%	0.18%	0.00%
Employee PERS Plan 3	0.00%	Varies 5-15%	0.00%	Varies 5-15%
Total	**12.70%**	**7.38%**	**12.83%**	**7.41%**

The College's actual PERS plan contributions were $403,382 to PERS Plan 1 and $557,723 to PERS Plan 2/3 for the year ended June 30, 2019.

Teachers' Retirement System (TRS)

TRS is comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. An individual establishes membership in the system by being employed as a teacher in the public schools. Teacher means any person who is qualified to teach and who is employed by a public school (state, school districts and educational services districts) as an instructor, administrator or supervisor. The College has 21 faculty members with pre-existing eligibility who continue to participate in TRS 1, TRS 2 and TRS 3.

TRS Plan 1 provides retirement, disability and survivor benefits. TRS 1 members were vested after the completion of five years of service credit. Retirement benefits are determined as two percent of the average final compensation (AFC), for each year of service credit, up to a maximum of 60 percent of AFC. The AFC is the average of the members two consecutive highest-paid fiscal years. Members are eligible for retirement at any age after 30 years of service credit, at the age of 60 with five years of service credit, or at the age of 55 with 25 years of service. Other benefits include temporary and permanent disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. The plan was closed to new entrants on September 30, 1977.

The **TRS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state

Pension Funding Council adopts Plan 1 employer contribution rates. The TRS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for the fiscal year ending June 30, 2019 were as follows:

TRS Plan 1				
Actual Contribution Rates:	**July 1, 2018 through August 31, 2018**		**September 1, 2018 through June 30, 2019**	
	Employer	**Employee**	**Employer**	**Employee**
TRS Plan 1	7.83%	6.00%	7.83%	6.00%
TRS Plan 1 UAAL	7.19%	0.00%	7.40%	0.00%
Administrative Fee	0.18%	0.00%	0.18%	0.00%
Total	**15.20%**	**6.00%**	**15.41%**	**6.00%**

TRS Plan 2/3 defined benefit plan provides retirement, disability and survivor benefits. Members are vested after five years of service credit for Plan 2 and. Plan 3 members are vested after 10 years of service credit or after five years of service credit with at least 12 of those months being earned after age 44 or if the member earned five years of service credit in Plan 2.

Retirement benefits are determined as two percent of the average final compensation (AFC) per year of service for Plan 2 members and one percent of AFC for Plan 3 members. The AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with at least five years of service credit for Plan 2 and 10 years of service credit for Plan 3. Retirement before age 65 is considered an early retirement. Early retirement options include:

- Members who have at least 20 years of service credit for Plan 2 or at least 10 years of service credit for Plan 3 and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65.
- Members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions: With a benefit that is reduced by three percent for each year before age 65; or with a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.
- Members who have 30 or more years of service credit, were hired on or after May 1, 2013, and are at least 55 years old, can retire with a benefit that is reduced by five percent for each year before age 65.

Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the Consumer Price Index) capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

TRS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. TRS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. TRS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The **TRS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the TRS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The TRS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year ending June 30, 2019 were as follows:

TRS Plan 2/3				
Actual Contribution Rates:	**July 1, 2018 through August 31, 2018**		**September 1, 2018 through June 30, 2019**	
	Employer	**Employee**	**Employer**	**Employee**
TRS Plan 1	7.83%	7.06%	7.83%	6.00%
TRS Plan 1 UAAL	7.19%	0.00%	7.40%	0.00%
Administrative Fee	0.18%	0.00%	0.18%	0.00%
Total	**15.20%**	**7.06%**	**15.41%**	**6.00%**

The College's actual TRS plan contributions were $47,373 to TRS Plan 1 and $49,893 to TRS Plan 2/3 for the year ended June 30, 2019.

Actuarial Assumptions

The net pension liability (NPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017. The actuarial assumptions used in the valuation were based on the results of the *2007-2012 Experience Study Report and the 2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Notes to the Financial Statements

Mortality rates were based on the RP-2000 report's *"Combined Healthy Table"* and *"Combined Disabled Table*" published by the Society of Actuaries. The Office of the State Actuary (OSA) applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Changes in methods and assumptions since the last valuation include:

- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered assumed inflation from 3.00% to 2.75% for all systems.

Discount rate
The discount rate used to measure the net total pension liability for all DRS plans was 7.4 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements.

Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS Plan 2/3 employers whose rates include a component for the PERS Plan 1 and TRS 1 plan liabilities).

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset)
The table below presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.4 percent) or 1-percentage-point higher (8.4 percent) than the current rate.

Pension Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$3,085,512	$2,510,715	$2,012,825
PERS 2/3	$5,240,022	$1,145,604	$(2,211,361)
TRS 1	$458,677	$366,972	$287,583
TRS 2/3	$286,295	$45,934	$(149,323)

Long-Term Expected Rate of Return

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of State Actuary (OSA) reviewed historical experience data, considered the historical conditions that produced past annual investments returns, and considered capital market assumptions and simulated expected investment returns by the WSIB. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, are summarized in the table below. The inflation component used to create the above table is 2.2 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	**100%**	

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Administered by DRS

At June 30, 2019, the College reported a net pension liability related to GASB Statement No. 68 pensions of $4,069,225 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 2,510,715
PERS 2/3	$ 1,145,604
TRS 1	$ 366,972
TRS 2/3	$ 45,934

At June 30, the College's proportionate share of the collective net pension liabilities was as follows:

	Porportionate Share 6/30/2017	Porportionate Share 6/30/2018	Change
PERS 1	0.057895%	0.056218%	(0.00168%)
PERS 2/3	0.069173%	0.067096%	(0.00208%)
TRS 1	0.013855%	0.012565%	(0.00129%)
TRS 2/3	0.011106%	0.010205%	(0.00090%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for both PERS and TRS plans.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the net pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the net pension liability to the measurement date.

Pension Expense

Pension expense is reported as part of the "Employee Benefits" expense on the Statement of Revenue, Expense and Changes in Net Position. For the year ended June 30, 2019, the College recognized pension expense as follows:

	Pension Expense
PERS 1	$138,098
PERS 2/3	$ (64,487)
TRS 1	$ (1,460)
TRS 2/3	$ 24,128
TOTAL	$ **96,279**

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 99,774
Changes of assumptions	$ -	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -
Contributions subsequent to the measurement date	$ 403,382	$ -
Totals	**$ 403,382**	**$ 99,774**

PERS 2/3	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 140,421	$ 200,574
Difference between expected and actual earnings of pension plan investments	$ -	$ 702,996
Changes of assumptions	$ 13,402	$ 326,030
Changes in College's proportionate share of pension liabilities	$ -	$ 251,639
Contributions subsequent to the measurement date	$ 557,723	$ -
Totals	**$ 711,546**	**$ 1,481,239**

TRS 1	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ -
Difference between expected and actual earnings of pension plan investments	$ -	$ 15,693
Changes of assumptions	$ -	$ -
Changes in College's proportionate share of pension liabilities	$ -	$ -
Contributions subsequent to the measurement date	$ 47,373	$ -
Totals	**$ 47,373**	**$ 15,693**

TRS 2/3	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 21,586	$ 3,392
Difference between expected and actual earnings of pension plan investments	$ -	$ 38,848
Changes of assumptions	$ 781	$ 18,459
Changes in College's proportionate share of pension liabilities	$ 28,976	$ 9,727
Contributions subsequent to the measurement date	$ 49,893	$ -
Totals	**$ 101,236**	**$ 70,426**

TOTAL ALL Funds	**$ 1,263,537**	**$ $1,667,133**

Deferred outflows of resources related to pensions resulting from the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	PERS 1	PERS 2/3	TRS 1	TRS 2/3
2020	$ 4,365	$ (161,841)	$ 1,570	$ 1,542
2021	$ (21,811)	$ (277,884)	$ (3,249)	$ (4,964)
2022	$ (65,449)	$ (472,812)	$ (11,160)	$ (17,706)
2023	$ (16,879)	$ (201,856)	$ (2,855)	$ (3,383)
2024		$ (101,492)		$ 2,085
Thereafter		$ (111,532)		$ 3,343
Total	**$ (99,774)**	**$ (1,327,417)**	**$ (15,693)**	**$ (19,083)**

14. Pension Plans administered by the State Board for Community and Technical Colleges
State Board Retirement Plan (SBRP) – Supplemental Defined Benefits Plans
The State Board Retirement Plan is a privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. As of July 1, 2011, all the Supplemental Retirement Benefit Plans were closed to new entrants.

Olympic College participates in this plan as authorized by chapter 28B.10 RCW and reports its proportionate share of the total pension liability. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements.

Contributions Information. Contribution rates for the SBRP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the College. Employee and employer contributions for the year ended June 30, 2019 were each $1,679,136.

Benefits Provided. The State Board Supplemental Retirement Plans (SRP) provide retirement, disability, and death benefits to eligible members. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is the one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment. Plan members have the option to retire early with reduced benefits.

The SRP pension benefits are unfunded. For the year ended June 30, 2019, supplemental benefits were paid by the SBCTC on behalf of the system in the amount of $1,818,000. The College's share of this amount was $60,879. In 2012, legislation (RCW 28B.10.423) was passed requiring colleges to pay into a Higher Education Retirement Plan (HERP) Supplemental Benefit Fund managed by the State Investment Board, for the purpose of funding future benefit obligations. During fiscal year 2019, the College paid into this fund at a rate of 0.5% of covered salaries, totaling $92,778. This amount was not used as a part of GASB 73 calculations its status as an asset has not been determined by the Legislature. As of June 30, 2019, the Community and Technical College system accounted for $19,733,342 of the fund balance.

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2019, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50%-4.25%
Fixed Income and Variable Income Investment Returns*	4.25%-6.50%

**Measurement reflects actual investment returns through June 30, 2018*

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most actuarial assumptions used in the June 30, 2018 valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the State Board of Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate decrease from 3.87 percent to 3.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date.

Pension Expense

For the year ended June 30, 2019, the College reported $127,538 for pension expense in the State Board Retirement Plans.

SBRP Pension Expense		
Service Cost	$	95,486
Interest		115,500
Amortization of Differences Between Expected and Actual Experience		(125,725)
Amortization of Changes of Assumptions		14,254
Changes of Benefit Terms		-
Administrative Expenses		-
Other Changes in Fiduciary Net Position		-
Proportionate Share of Collective Pension Expense		**99,487**
Amortization of the Change in Proportionate Share of TPL		28,050
Total SBRP Pension Expense	**$**	**127,538**

Proportionate Shares of Pension Liabilities

The College's proportionate share of pension liabilities for fiscal year ending June 30, 2019 was 3.35%. The College's proportion of the total pension liability was based on a projection of the College's long-term share of contributions to the pension plan to the projected contributions of all participating College's, actuarially determined.

Proportionate Share (%) 2018		**3.24%**
Proportionate Share (%) 2019		**3.35%**
Total Pension Liability - Ending 2018	$	2,822,714
Total Pension Liability - Beginning 2019		2,919,154
Total Pension Liability - Change in Proportion		96,440
Total Deferred Inflow/Outflows - 2018		1,141,610.43
Total Deferred Inflow/Outflows - 2019		1,180,614.15
Total Deferred Inflows/Outflows - Change in Proportion		39,004
Total Change in Proportion	**$**	**135,443**

Notes to the Financial Statements

Plan Membership

Membership in the State Board Supplemental Retirement Plan consisted of the following as of June 30, 2018, the most recent actuarial valuation date:

Number of Participating Members				
Plan	Inactive Members or Beneficiaries Currently Receiving Benefits	Inactive Members Entitled to But Not Yet Receiving Benefits	Active Members	Total Members
State Board for Community and Technical Colleges	10	14	180	204

Change in Total Pension Liability/ (Asset)

The following table presents the change in total pension liability/ (asset) of State Board Supplemental Retirement Plans at June 30, 2019, the latest measurement date for all plans:

Schedule of Changes in Total Pension Liability/(Asset)		
		Amount
Service Cost	$	95,486
Interest		115,500
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience		217,758
Changes in Assumptions		409,447
Benefit Payments		(60,891)
Change in Proportionate Share of TPL		96,439
Other		-
Net Change in Total Pension Liability		873,739
Total Pension Liability - Beginning		2,822,713
Total Pension Liability - Ending	**$**	**3,696,453**

Sensitivity of the Total Pension Liability/ (Asset) to Changes in the Discount Rate. The following table presents the total pension liability/(asset), calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

Plan	**1% Decrease (2.50%)**	**Current Discount Rate (3.50%)**	**1% Increase (4.50%)**
State Board for Community and Technical Colleges	$4,223,736	$3,696,451	$3,258,610

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, the State Board Supplemental Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

State Board for Community and Technical Colleges	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$188,332	$774,775
Changes of assumptions	$354,116	$209,575
Changes in College's proportionate share of pension liability	$175,624	$0
Transactions subsequent to the measurement date	$0	$0
Total	**$718,072**	**$984,350**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

State Board Supplemental Retirement Plan	
2020	(83,447.28)
2021	(83,447.28)
2022	(83,447.28)
2023	(83,447.28)
2024	(28,252.77)
Thereafter	95,763.30

15. Other Post-Employment Benefits

Plan Description. In addition to pension benefits as described in Note 13 and Note 14 the College, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is administered by the state and is funded on a pay-as-you-go basis. In the state CAFR the plan is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting who participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants
As of June 30, 2018

Active Employees*	123,160
Retirees Receiving Benefits**	33,735
Retirees Not Receiving Benefits***	6,000
Total Active Employees and Retirees	162,895

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.
**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.
***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month, and in calendar year 2018, the average weighted implicit subsidy was valued at $347 per adult unit per month. In calendar year 2019, the average weighted implicit subsidy is projected to be $368 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2017, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2018. This was increased in calendar year 2019 up to $168 per member per month. It is projected to increase to $183 per member per month in calendar year 2020.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits. Contributions are set by Legislature each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

For calendar year 2019, the estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,092
Dental		79
Life		4
Long-term Disability		2
Total		1,177
Employer contribution		1,017
Employee contribution		160
Total	$	1,177

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2019 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used. For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Total OPEB Liability

As of June 30, 2019, the state reported a total OPEB liability of $5.08 billion. The College's proportionate share of the total OPEB liability is $19,082,139. This liability was determined based on a measurement date of June 30, 2018.

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%
Projected Salary Changes	3.50% Plus Service-Based Salary Increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2017 OPEB Actuarial Valuation Report.

In projecting the growth of the explicit subsidy, after 2020 when the cap is $183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

Notes to the Financial Statements

Actuarial Methodology. The total OPEB liability was determined using the following methodologies:

Actuarial Valuation Date	6/30/2018
Actuarial Measurement Dat	6/30/2018
Actuarial Cost Method	Entry Age
Amortization Method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset Valuation Method	N/A - No Assets

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017 measurement date and 3.87 percent for the June 30, 2018 measurement date.

Additional detail on assumptions and methods can be found on OSA's website: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Proportionate Shares of Pension Liabilities
The change in the College's proportionate share of OPEB liability and deferred inflows and deferred outflows of resources based on measurement date are representing in the following table:

Proportionate Share (%) 2017		**0.3760769661%**
Proportionate Share (%) 2018		**0.3757337290%**
Total OPEB Liability - Ending 2017	$	21,909,576
Total OPEB Liability - Beginning 2018		21,889,580
Total OPEB Liability Change in Proportion		(19,996)
Total Deferred Inflows/Outflows - 2017		(2,670,008)
Total Deferred Inflows/Outflows - 2018		(2,667,572)
Total Deferred Inflows/Outflows Change in Proportion		(2,436)
Total Change in Proportion	**$**	**(22,432)**

Notes to the Financial Statements

Changes in Total OPEB Liability

As of June 30, 2019, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the College are represented in the following table:

Olympic College Changes in Total OPEB Liability		
Proportionate Share (%)		**0.3757337290%**
Service Cost	$	1,193,045
Interest Cost		820,212
Differences Between Expected and Actual Experience		748,694
Changes in Assumptions*		(5,222,975)
Changes of Benefit Terms		-
Benefit Payments		(346,416)
Changes in Proportionate Share		19,996
Other		-
Net Change in Total OPEB Liability		(2,827,437)
Total OPEB Liability - Beginning		21,909,576
Total OPEB Liability - Ending	**$**	**19,082,139**

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2018.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of the College, calculated using the discount rate of 3.87 percent as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	**Current Discount Rate**	**1% Increase**
$ 23,008,573	$ 19,082,139	$ 16,018,670

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the College, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.0 percent decreasing to 5.50 percent) than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 15,664,587	$ 19,082,139	$ 23,626,835

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2019, the College will recognize OPEB expense of $950,516 OPEB expense consists of the following elements:

Olympic College	
OPEB Pension Expense	**0.3757337290%**
Service Cost	$ 1,193,045
Interest Cost	820,212
Amortization of Differences Between Expected and Actual Experience	83,188
Amortization of Changes in Assumptions	(957,079)
Changes of Benefit Terms	-
Amortization of Changes in Proportion	(188,849)
Administrative Expenses	-
Total OPEB Expense	**$ 950,516**

As of June 30, 2019, the deferred inflows and deferred outflows of resources for the College are as follows:

Olympic College		
OPEB	**Deferred Inflows of Resources**	**Deferred Outflows of Resources**
Difference between expected and actual experience	$ -	$ 665,506
Changes in assumptions	7,279,884	-
Transactions subsequent to the measurement date		350,369
Changes in proportion	1,324,442	-
Total Deferred Inflows/Outflows	**$ 8,604,326**	**$ 1,015,875**

Amounts reported as deferred outflow of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for the College as follows:

Proportionate Share (%)		0.3757337290%
2020	$	(1,062,740)
2021	$	(1,062,740)
2022	$	(1,062,740)
2023	$	(1,062,740)
2024	$	(1,062,740)
Thereafter	$	(2,625,120)

16. Risk Management

The College is exposed to various risk of loss related to tort liability, injuries to employees, errors and omissions, theft of, damage to, and destruction of assets, and natural disasters. The College purchases insurance to mitigate these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks.

The College purchases commercial property insurance through the master property program administered by the Department of Enterprise Services for buildings that were acquired with COP proceeds. The policy has a deductible of $250,000 per occurrence and the policy limit is $100,000,000 per occurrence. The college has had no claims in excess of the coverage amount within the past three years. The College assumes its potential property losses for most other buildings and contents.

The College participates in a State of Washington risk management self-insurance program, which covers its exposure to tort, general damage and vehicle claims. Premiums paid to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. Coverage is provided up to $10,000,000 for each claim with no deductible. The college has had no claims in excess of the coverage amount within the past three years.

The College, in accordance with state policy, pays unemployment claims on a pay-as-you-go basis. The college finances these costs by assessing all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2018 through June 30, 2019, were $102,839. Cash reserves for unemployment compensation for all employees at June 30, 2019, were $162,689.

17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications, such as salaries, benefits, and supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2019.

Expenses by Functional Classification

Instruction	$	21,870,935
Academic Support Services		4,658,983
Student Services		7,652,782
Institutional Support		9,186,930
Operations and Maintenance of Plant		7,804,252
Scholarships and Other Student Financial Aid		10,190,021
Auxiliary enterprises		3,280,501
Depreciation		4,949,801
Total operating expenses	**$**	**69,594,206**

18. Commitments and Contingencies

The College has commitments of $8,500,719 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

Additionally, the College is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

Olympic College
Schedule of Proportionate Share of the Net Pension Liability
Public Employee's Retirement System (PERS) Plan 1 & Plan 2/3
Measurement Date of June 30 *

PERS 1		**2018**	**2017**	**2016**	**2015**	**2014**
Employer's proportion of the net pension liability (asset)	%	0.056218%	0.057895%	0.063216%	0.063350%	0.064316%
Employer's proportionate share of the net pension liability	$	2,510,715	2,747,163	3,394,997	3,313,794	3,239,949
Covered payroll	$	7,190,498	7,006,847	7,284,208	6,649,199	6,733,233
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	34.92%	39.21%	46.61%	49.84%	48.12%
Plan fiduciary net position as a percentage of the total pension liability	%	63.22%	61.24%	57.03%	59.10%	61.19%

PERS 2/3		**2018**	**2017**	**2016**	**2015**	**2014**
Employer's proportion of the net pension liability (asset)	%	0.067096%	0.069173%	0.074719%	0.075225%	0.075259%
Employer's proportionate share of the net pension liability	$	1,145,604	2,403,431	3,762,038	2,687,832	1,521,256
Covered payroll	$	6,978,165	6,781,731	7,016,997	6,388,812	6,443,072
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	16.42%	35.44%	53.61%	42.07%	23.61%
Plan fiduciary net position as a percentage of the total pension liability	%	95.77%	90.97%	85.82%	89.20%	93.29%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1 & Plan 2/3
Measurement Date of June 30 *

TRS 1		2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.012565%	0.013855%	0.011655%	0.010527%	0.010725%
Employer's proportionate share of the net pension liability	$	366,972	418,874	397,929	333,510	316,329
Covered payroll	$	660,651	689,755	501,360	360,956	402,042
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	55.55%	60.73%	79.37%	92.40%	78.68%
Plan fiduciary net position as a percentage of the total pension liability	%	66.52%	65.58%	62.07%	65.70%	68.77%

TRS 2/3		2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	%	0.010205%	0.011106%	0.008380%	0.007249%	0.007399%
Employer's proportionate share of the net pension liability	$	45,934	102,502	115,082	61,167	23,899
Covered payroll	$	590,081	608,189	417,206	298,341	323,553
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	7.78%	16.85%	27.58%	20.50%	7.39%
Plan fiduciary net position as a percentage of the total pension liability	%	96.88%	93.14%	88.72%	92.48%	96.81%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Employer Contributions
Public Employee's Retirement System (PERS) Plan 1 & Plan 2/3
For the year ended June 30*

PERS 1		**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Statutorily or contractually required contributions	$	403,382	375,774	348,252	358,495	291,155	284,682
Contributions in relation to the statutorily or contractually required contributions	$	(403,382)	(375,774)	(348,252)	(358,495)	(291,155)	(284,682)
Contribution deficiency (excess)	$	0	0	0	0	0	0
Covered payroll	$	7,613,964	7,190,498	7,006,847	7,284,208	6,936,491	6,733,233
Contributions as a percentage of covered payroll	%	5.30%	5.23%	4.97%	4.92%	4.20%	4.23%

PERS 2/3		**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Statutorily or contractually required contributions	$	557,723	517,720	422,500	431,346	335,092	317,926
Contributions in relation to the statutorily or contractually required contributions	$	(557,723)	(517,720)	(422,500)	(431,346)	(335,092)	(317,926)
Contribution deficiency (excess)	$	0	0	0	0	0	0
Covered payroll	$	7,423,432	6,978,165	6,781,731	7,016,997	6,676,104	6,443,072
Contributions as a percentage of covered payroll	%	7.51%	7.42%	6.23%	6.15%	5.02%	4.93%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Employer Contributions
Teachers' Retirement System (TRS) Plan 1 & Plan 2/3
For the year ended June 30*

TRS 1		2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	47,373	52,256	48,485	35,421	23,556	21,209
Contributions in relation to the statutorily or contractually required contributions	$	(47,373)	(52,256)	(48,485)	(35,421)	(23,556)	(21,209)
Contribution deficiency (excess)	$	0	0	0	0	0	0
Covered payroll	$	639,850	660,651	689,755	501,360	419,392	402,042
Contributions as a percentage of covered payroll	%	7.40%	7.91%	7.03%	7.07%	5.62%	5.28%

TRS 2/3		2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	$	49,893	45,370	40,921	27,353	19,264	18,154
Contributions in relation to the statutorily or contractually required contributions	$	(49,893)	(45,370)	(40,921)	(27,353)	(19,264)	(18,154)
Contribution deficiency (excess)	$	0	0	0	0	0	0
Covered payroll	$	637,203	590,081	608,189	417,206	338,920	323,553
Contributions as a percentage of covered payroll	%	7.83%	7.69%	6.73%	6.56%	5.68%	5.61%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Changes in the Total Pension Liability and Related Ratios
Fiscal Year Ended and Measurement Date June 30*

Total Pension Liability	2019	2018	2017
Service Cost	95,486	$ 123,920	$ 171,950
Interest	115,500	113,883	111,544
Changes of benefit terms		-	-
Differences between expected and actual experience	217,758	(336,823)	(804,233)
Changes of assumptions	409,447	(113,947)	(189,821)
Benefit Payments	(60,891)	(42,095)	(28,632)
Change in proportionate share of TPL	96,439	60,631	-
Other		-	-
Net Changes in Total Pension Liability	873,739	(194,431)	(739,192)
Total Pension Liability - Beginning	$ 2,822,714	$ 3,017,144	$ 3,756,336
Total Pension Liability - Ending	$ 3,696,453	$ 2,822,714	$ 3,017,144
College's Proportionate Share of the Total Pension Liability	3.348690%	3.238058%	3.174270%
Covered-employee payroll	$ 18,555,653	$ 17,454,234	$ 16,832,806
Total Pension Liability as a percentage of covered-employee payroll	19.92%	16.17%	17.92%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Schedule of Changes in Total OPEB Liability and Related Ratios
As of the Measurement Date June 30*

Total OPEB Liability		**2018**		**2017**
Service Cost		1,193,045	$	1,485,336
Interest		820,212		695,740
Benefit Payments		(346,416)		(354,560)
Differences between expected and actual experience		748,694		-
Changes of assumptions		(5,222,975)		(3,393,834)
Changes of benefit terms		-		-
Changes in proportionate share		(19,996)		(1,702,935)
Other				-
Net Changes in Total OPEB Liability		(2,827,437)		(3,270,253)
Total OPEB Liability - Beginning	$	21,909,576	$	25,179,829
Total OPEB Liability - Ending	$	19,082,139	$	21,909,576
College's Proportionate Share of the Total OPEB Liability		0.375734%		0.376077%
Covered-employee payroll	$	26,700,705	$	24,412,214
Total OPEB Liability as a percentage of covered-employee payroll		71.47%		89.75%

The notes to the Required Supplementary Information are an integral part of this schedule.

Olympic College
Notes to Required Supplementary Information
For the Year Ended June 30, 2019

Note 1 - Presentation of Schedules

Accounting standards require the schedules to present information for 10 years. However, until a full 10 year-trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Note 2 - Change of Benefit Terms

There were no changes in the benefit terms for the pension plans reported on the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Employer Contributions or the Schedule of Changes in the Total Pension Liability and Related Ratios.

Note 3 - Change of Assumptions

There were no changes in the assumptions for the pension plans reported on the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Employer Contributions.

Material assumption changes during the measurement period include the discount rate decrease from 3.87 percent to 3.50 percent on the Schedule of Changes in the Total Pension Liability and Related Ratios.

Note 4 - State Board Supplemental Defined Benefit Plans

Schedule of Changes in the Total Pension Liability and Related Ratios: The State Board Supplemental Retirement Plans reported are financed on a pay-as-you-go basis. State Board makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth and the variable income investment return.

Note 5 - Public Employee's Benefit Board OPEB Plan

Schedule of Changes in Total OPEB Liability and Related Ratios: The Public Employee's Benefits Board (PEBB) OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.